

Message Text

CONFIDENTIAL

PAGE 01 KUWAIT 01589 101006Z

42

ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 ARA-06 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01

H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 OIC-02

PA-01 PRS-01 USIA-06 OPIC-03 IGA-01 XMB-02 /117 W

----- 070302

R 100740Z APR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2738

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

USMISSION OECD PARIS

USINT BAGHDAD

C O N F I D E N T I A L KUWAIT 1589

PARIS FOR PREPCON DEL

E.O. 11652: GDS

TAGS: ENRG, PINT, KU

SUBJECT: NEW MINISTER OF OIL MOVING TO CONSOLIDATE HIS POSITION

SUMMARY: KUWAIT'S NEW MINISTER OF OIL IS MOVING TO CONSOLIDATE HIS POSITION, PRIMARILY BY ASSERTING HIS AUTHORITY OVER KUWAIT OIL, GAS AND ENERGY COMPANY (KOGEC). INSHORT RUN THIS HAS LED TO A CERTAIN UNCERTAINTY, IF NOT INSTABILITY, IN KUWAITI PETROLEUM AFFAIRS. EVENTUALLY, WE EXPECT OIL MINISTER KAZEMI TO EXERT STRONG LEADERSHIP, ALTHOUGH KOGEC AS AN INSTITUTION WILL PROBABLY CONTINUALLY TO ELBOW MINISTRY OF OIL FOR RESPONSIBILITY

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KUWAIT 01589 101006Z

IN IMPORTANT SECTORS OF PETROLEUM AFFAIRS. WE ANTICIPATE MINISTRY

BECIMING KEY INSTITUTION DEALING WITH OPEC AND INTERNATIONAL PETROLEUM AFFAIRS AND KOGEC BEING RESPONSIBLE FOR LOCAL INDUSTRIAL AND MARKETING AFFAIRS WITH KAZEMI EFFECTIVELY RUNNING BOTH ORGANIZATIONS. END SUMMARY.

1. FOR PAST WEEK OR SO THERE HAS BEEN CONSIDERABLE DISCUSSION OF KUWAIT MINISTER OF OIL KAZEMI'S PLANS TO ASSERT HIS AUTHORITY AS THE DE FACTO SENIOR OIL OFFICIAL HERE. FOLLOWING ANNOUNCEMENT THAT GOK INTENDS TAKE OVER 40 PERCENT PRIVATE KUWAITI OWNERSHIP OF KUWAIT NATIONAL PETROLEUM COMPANY, DISCUSSION HAS BECOME EVEN MORE WIDESPREAD AND PUBLIC WITH STORIES IN LOCAL PRESS SAYING KAZEMI INTENDS TO RECONSTITUTE KUWAIT OIL GAS AND ENERGY COMPANY (KOGEC) WITH HIMSELF AS HEAD.

2. MANY OBSERVERS BELIEVE THAT KAZEMI UPON BECOMING MINISTER OF OIL LAST JANUARY FOUND HIMSELF WITH A SHELL OF AN ORGANIZATION. REAL POWER SEEMED TO BE LOCATED IN KOGEC WHICH IS TO BE RESPONSIBLE FOR ALL PETROLEUM-RELATED PRODUCTION, MARKETING AND INDUSTRIAL ACTIVITIES. OSTENSIBLY IT IS INDEPENDENT COMPANY OWNED BY GOK. STORIES BEGAN TO APPEAR IN PRESS THAT KAZEMI FOUND THIS TO UNSATISFACTORY. FOLLOWING BUSY ROUND OF OPEC AND OTHER MEETINGS AND KOC TAKEOVER TALKS, KAZEMI SEEMS NOW TO BE GIVING TASK OF ASSERTING HIS AUTHORITY TOP PRIORITY.

3. WE UNDERSTAND THAT HE WILL SOON ISSUE A DECREE OUTLINING HIS RESPONSIBILITIES. MEANWHILE KAZEMI HAS COMMISSIONED AN ORGANIZATIONSTUDY OF MINISTRY OF OIL (MOO) FROM AMERICAN CONSULTANT, WHILE KOGEC HAS RECEIVED BIDS FROM FIVE FIRMS(THREE AMERICAN)IN RESPONSE TO TENDER FOR STUDY OF ITS ORGANIZATION. CERTAIN KEY MINISTRY OFFICIALS, ABD AL-RAZZAK MULLA HUSSAIN AND SHAIKH ALI KHALIFA AL-SABAH, ALSO HAVE IMPORTANT KOGEC RESPONSIBILITIES. BOTH ARE HIGHLY REGARDED, BRIGHT YOUNG, WELL EDUCATED KUWAITIS. HUSSAIN IS ASSISTANT UNDERSECRETARY/CHIEF ENGINEER AT MOO AND WILL BE RESPONSIBLE FOR BILLION DOLLAR KUWAIT GAS UTILIZATION PROJECT AND DEVELOPMENT OF SIZEABLE OFF-SHORE GAS RESERVES FOR KOGEC. ALI KHALIFA IS SECOND MOST IMPORTANT POLICY OFFICIAL OT MOO WHERE HE IS CONCERNED WITH OPEC AFFAIRS (HE IS CHAIRMAN OF OPEC BOARD OF GOVERNORS) AND WHERE HE HAS PLAYED IMPORTANT ROLE IN KOC TAKEOVER TALKS WITH GULF AND BP. AT KOGEC HE WILL BE RESPONSIBLE FOR CRUDE OIL SALES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KUWAIT 01589 101006Z

4. HUSSAIN AND ALI KHALIFA WORK AT BOTH MOO AND KOGEC, BUT WE HAVE HEARD FROM KNOWLEDGEABLE SOURCE THAT THEY SOON WILL WORK FULL-TIME AT KOGEC. IF SO , THIS COULD WEAKEN MOO, BUT WE DOUBT THAT SUCH A MOVE COULD BE MADE QUICKLY. THUS THERE WILL BE A CERTAIN BLURRED BOUNDARY BETWEEN KOGEC AND MOO.

5. AS OF NOW IT LOOKS AS THOUGH KOGEC WILL CONCENTRATE ON COMMERCIAL

ASPECTS OF PETROLEUM AFFAIRS INCLUDING PRODUCTION, MARKETING AND PETROLEUM-RELATED INDUSTRIAL AND TRANSPORTATION ACTIVITIES. MOO WILL FOCUS ON INTERNATIONAL AND OPEC QUESTIONS. FROM TIME TO TIME THERE PROBABLY WILL BE DEGREE OF COMPETITION BETWEEN TWO INSTITUTIONS, AS THERE SEEMS TO BE IN OTHER COUNTRIES SUCH AS IRAN, INDONESIA AND ALGERIA WHERE KOGEC-TYPE UMBRELLA ORGANIZATIONS EXIST.

6. WHATEVER INSTITUTIONAL RELATIONSHIPS DEVELOP BETWEEN MOO AND KOGEC WE THINK KAZEMI, HIMSELF, WILL INSIST ON BEING DE FACTO SENIOR OIL OFFICIAL IN COUNTRY WITH BOTH MOO AND KOGEC REPORTING TO HIM. MOREOVER IT WILL BE IMPORTANT THAT HE IS SEEN BY ALL TO BE THE TOP OIL OFFICIAL, SUBORDINATE ONLY TO PRIME MINISTER. HE WILL, OR COURSE, BE MEMBER OF HIGHER ENERGY COUNCIL WHICH MADE UP OF SEVERAL MINISTERS AND CHAIRED BY PRIME MINISTER, BUT THAT BODY NOT EXPECTED TO BE INVOLVED IN DAY-TO-DAY PETROLEUM AFFAIRS.

7. AS OF NOW KAZEMI, WHO IS PRIMARILY A POLITICIAN WHO WAS ELECTED TO PARLIAMENT WITH MORE VOTES THAN ANYONE ELSE, APPEARS LIKELY TO PREVAIL. WE WERE TOLD THAT IF PARLIAMENT REFUSES TO ACCEPT GOK TAKEOVER OF PRIVATE KNPC SHARES KAZEMI WILL RESIGN. HE APPEARS TO BE ESTABLISHING HIMSELF AS A STRONG AND TOUGH LEADER.

8. IN THE SORT RUN, THIS IS LEADING TO DEGREE OF UNCERTAINTY. TAKEOVER OF PRIVATE KNPC SHARES HAS JOLTED POWERFUL PRIVATE SECTOR, AND THOSE DEALING WITH KOGEC AND MOO FIND IT HARD TO KNOW WHERE LINES OF RESPONSIBILITY BEGIN AND END, WE ANTICIAPTE THAT SITUATION WILL BE RESOLVED OVER NEXT FEW MONTHS AND THAT KAZEMI WILL EMERGE AS UNQUESTIONED TOP OIL OFFICIAL IN COUNTRY. HE PROBABLY WILL BECOME A STRONG MINISTER. IT WILL TAKE TIME FOR GOK TO ADJUST COMPLETELY TO TAKEOVER REMAINING PRIVATE
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KUWAIT 01589 101006Z

OWNERSHIP OF KOC AND KNPC, BUT ONCE IT DOES A LONG PROCESS WILL HAVE BEEN COMPLETED. THIS SHOULD ALLOW GOK TO BEGIN TO FOCUS ON IMPORTANT PETROLEUM-RELATED ACTIVITES INCLUDING MAJOR INDUSTRIAL PROGRAMS. AS KOGEC'S OWN ROLE AND ORGANIZATION BECOME MORE CERTAIN, GOK SHOULD BE ABLE HANDLE MARKETING AND OTHER ACTIVITIES IN MORE BUSINESS-LIKE MANNER THAN IS POSSIBLE AT MOO. IN SHORT, THERE CURRENTLY IS AN UNUSUAL DEGREE OF FLUIDITY IN KUWAITI PETROLEUM SECTOR AS VARIOUS ACTORS AND INSTITUTIONS DEFINE THEIR ROLES AND THEIR RELATIONSHIPS WITH EACH OTHER, BUT BY LATER THIS YEAR SITUATION LIKELY TO BE MORE STABLE, HOPEFULLY ALLOWING GOK TO FORMULATE AND IMPLEMENT ITS POLICIES IN A LESS FRENETIC AND MORE RATIONAL MANNER THAN HAS BEEN SO IN RECENT PAST.
STOLTZFUS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CABINET, PETROLEUM INDUSTRY, POLITICAL LEADERS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KUWAIT01589
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750125-0188
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750463/aaaacgfs.tel
Line Count: 168
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 15 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 MAY 2003 by izenbei0>; APPROVED <20 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW MINISTER OF OIL MOVING TO CONSOLIDATE HIS POSITION SUMMARY: KUWAIT'S NEW MINISTER OF OIL IS MOVING TO CONSOLIDATE
TAGS: ENRG, PINT, KU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006